



ISSN 2278 – 0211 (Online)

## A Study on Ethics and Social Responsibility in Marketing

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### **Abstract:**

*An ethical issue is an identifiable situation and also an opportunity which requires an individual or organization to choose from the actions that must be evaluated as right or wrong, ethical or unethical, etc. Product– related ethical issues arise when marketers fail to disclose the risks associated with a product. In pricing, common ethical issues are price fixing or failure to disclose the full price of a purchase. While ethics and social responsibility are sometimes used interchangeably, there is a difference between the two terms. Ethics tends to focus on the individual or marketing group decision, while social responsibility takes into consideration the total effect of marketing practices on society. The study focuses on understanding business ethics and socially responsible marketing, to develop and implement a socially responsible marketing plan and to study ethical issues faced in marketing. The data has been collected from various secondary sources like Journals, articles, websites and books. The aim of this research paper is to study whether the companies are following marketing strategies which are ethical and socially responsible while achieving the company objectives and goals.*

**Keywords:** Ethical marketing, social responsibility, ethical values, business objectives and business goals etc.

### **1. Introduction**

Marketing ethics deals with the moral principles and values in marketing. Ethics in marketing is applied in different areas such as in advertising, promotion, pricing. It also includes the explanation of the ethical issues like: Do children have the capability of understanding marketing tactics? Do they have the final buying power? Should marketers take permission from their parents? Do children understand the negative effects of the products advertised? Before we proceed any further, we should be crystal clear in our minds about the following concepts:-

#### *1.1. Marketing*

Marketing is basically the interaction with your consumer in order to persuade the consumer to purchase your product or service. Basically the “Marketing is the process of creating, promoting and delivering the products and services.”“Meeting needs profitably”: Philip Kotler Marketing is about understanding customers prospective or potential and fulfilling their needs and wants

#### *1.2. Ethics*

Ethics is the study dealing with what is the proper course of action for human or living being. It answers, "What do I do?" It is the study of right and wrong in human behaviors, basically, it is the method by which we define our values and pursue them. Ethics is a requirement of human life. It is the means of deciding what should be our action. In its absence, our actions would be haphazard and aimless.

Though the pursuit of social responsibility and ethical marketing does not automatically translate into increased profit, it is still the responsibility of the firm to ensure it is responsible for its actions and their impact on society. The study emphasis on the following objectives:

1. To understand business ethics and socially responsible marketing,
2. To develop and implement a socially responsible marketing plan,
3. To study ethical issues faced in marketing

## 2. Understanding Business Ethics and Socially Responsible Marketing

To be socially responsible is when the organization is concerned about people, society and environment with whom and where it conducts business. In its most basic form, socially responsible marketing is taking moral actions that encourage a positive impact on all the company's stakeholders, including employees, community, consumers, and shareholders. The main responsibility of marketers in this aspect is to package and communicate the organization's decisions that will impact the various communities with which they interact. Consumers have the right and power to decide which companies succeed or fail; so marketers have a major responsibility to ensure their practices are seen as philanthropic without being phony. Brand Karma is the perfect example of one of the means by which consumers make these decisions.

### 2.1. Ethical Marketing in General

Ethical Marketing is a philosophy that focus focuses on honesty, fairness and responsibility. Though wrong and right are subjective, a general set of guidelines can be put in place to ensure the company's intent is broadcasted and achieved. Principles of this practice include:

- A shared standard of truth in marketing communications
- A clear distinction between advertising and sensationalism
- Endorsements should be clear and transparent
- Consumers' privacy should be maintained at all times
- Government standards and regulations must be adhered and practiced by marketers.

### 2.2. American Ethical Norms and Values for Marketers

The American Marketing Association has designed a statement of ethics that governs marketers' actions. The introduction of the statement reads in summary that values are the representation of the collective idea of desirable and morally correct conduct. And that the values outlined in the document serve as the standard by which individuals measure their own actions and those of others including marketers. These values facilitate best practices when transacting business with the public and all involved.

There are 5 ethical values that marketers are expected to uphold, and these are:

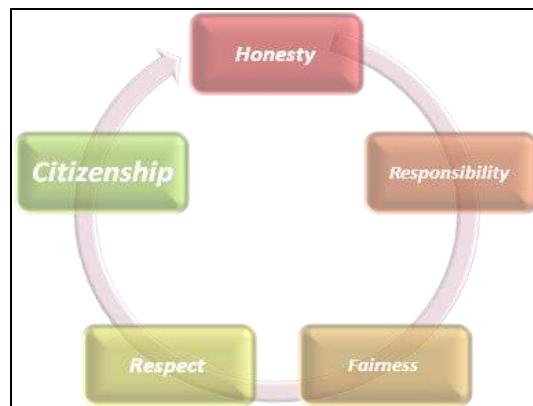


Figure 1

1. Honesty – Be forthright in dealings and offer value and integrity.
2. Responsibility – Accept consequences of marketing practices and serve the needs of customers of all types, while being good stewards of the environment.
3. Fairness – Balance buyer needs and seller interest fairly, and avoid manipulation in all forms while protecting the information of the consumers.
4. Respect – Acknowledge basic human dignity of all the people involved through efforts to communicate, understand and meet needs and appreciate contributions of others.
5. Citizenship – Fulfill all legal, economic, philanthropic and societal responsibilities to all stakeholders as well as giveback to the community and protect the ecological environment.

## 3. Developing and Implementing a Socially Responsible Marketing Plan

While ethics and social responsibility are sometimes used interchangeably, there is a difference between the two terms. Ethics tends to focus on the individual or marketing group decision, while social responsibility takes into consideration the total effect of marketing practices on society. In order to foster an ethical and socially responsible behavior pattern among marketers while achieving company objectives, special care must be taken to monitor trends and shifts in society's values and beliefs. Next, marketers should forecast the long-term effects of the decisions that pertain to those changes. Bearing in mind that a company cannot satisfy the needs of an entire society, it best serves marketers to focus their most costly efforts on their target market, while being aware of the values of society as a whole. Five simple steps every marketer can take to create a sustainable socially responsible market plan are:

1. Define what ethical marketing for your firm is.
2. Decide which branch of ethics your marketers will apply.
3. Determine how the ethical approach to marketing will be implemented.
4. Discuss areas of the firm's operations that ethical marketing will be included as part of the program.
5. Analyse and assess how much ethical marketing will cost the company and compare this against the benefits of ethical marketing in the long run.

### 3.1. Characteristics of Socially Responsible Marketing

Marketers get the right products to the right people at the right time. Ethical marketers ensure the products meet and exceed their needs, back up their claims and offer value to the customers over time while finding opportunities to pay it forward. A company that uses ethical and socially responsible marketing strategy will gain the respect and trust of the customers they target and interact with. Over long term, this will translate to greater benefits all round. Today's firms can make their practices more ethical and responsible by perfecting the following characteristics.

- **Safety:** Any product or service that could be hazardous to the health conditions of people, animals or the environment should have clear advisories and warnings. Once the problem is identified the company can collect data to help improve the product and reduce or eliminate the danger. An example would be fast food restaurants eliminating the use of hydrogenated oils even before trans fats were banned.
- **Honesty:** Ensuring a product satisfies a need it promises to, or aids in providing a lifestyle it advertises. Advertising should be transparent about possible side effects and not puff up results, so clients come to respect the honesty of your advertising.
- **Transparency:** Any techniques to manipulate and hide facts and information customers need could harm a company. Just think of the way people regard a company such as Enron that hid information and was not open to the stakeholders about what was happening.
- **Ethical Pricing:** Gathering data about your target market will give you information on how much they are willing to pay for your product. The rest of the pricing strategy, in a simplified manner, should be based on overhead costs and supply and demand. Creating fake shortages and bad mouthing the competition are considered unethical marketing practices.
- **Respecting Customer Privacy:** When customers trust enough to allow you access to their information, selling it to lead companies or obtaining prospective customers' information without permission is unethical and breaks trust. Nobody wants to buy from the creepy guys, no matter how beautifully packaged their products are.

### 3.2. Benefits of Integrating Ethics into Your Marketing Strategy

- **Moral Marketing Compass:** This is especially important in economic downturns, when unethical practices become tempting.
- **Win-win Marketing:** The focus on customer value will increase company value.
- **Keeps marketing legal:** Reduces the risk of cutting corners and turning a blind eye.
- **Goodwill:** Goodwill and strong reputation among clients and associates are the benefits which companies cannot afford to overlook. Not only will customers believe that the company cares for them, but will also associate the brand with pleasant feelings and experiences and spread the word.
- **Improved quality of recruits and increases retention:** A good company attracts good employees, suppliers, investors, and customers, who will be happy to help the company to achieve its goals. Great marketing practices make new marketers feel like their time on the job will make a difference and so will be less likely to change jobs, as will suppliers and other people involved.

## 4. Ethical Issues Faced in Marketing

So far we have seen that ethical marketing can guide advertising, research and data use, strategies for gaining an edge over the competition and company policies. However, there can also be some problems that arise from trying to employ an ethical marketing strategy.

**Irresponsible Market Research:** Improper market research and grouping can lead to stereotyping that shapes undesirable beliefs and attitudes and consequently affect marketing behavior. For example, assuming that all women like pink and therefore basing an entire advertising campaign on that belief could be a costly mistake.

**Selecting Specific Market Audience:** According to Boundless.com, the use of selective marketing practice is to weed out the consumers considered by companies as less than ideal, but often causes social disparity and unrest. Practices such as Victoria Secrets' "Perfect Body Campaign," which came under a lot of fire from consumers for excluding every woman but those shaped like the long legged, thin and well endowed supermodels in their ad, can turn people away from a company.

**Unethical Advertising and Promotion:** Making false claims about what the product does and its importance is an unethical way to gain profit. For many years, Nestlé has been the target of many boycotts for predatory and aggressively marketing baby foods, especially to women in poorer countries as a better substitute to breastfeeding. This manipulative marketing technique has caused a lot of damage and loss to these children and their families.

**Delivery Channel practices:** Marketing in ways like cold calling through telemarketing companies that purchase leads are not only annoying, they are disruptive and untrustworthy. Unsolicited approaches are these days almost synonymous with direct marketing and

has left the industry with a tainted reputation. So have television commercials, email spam and direct mail, which people are going to significant lengths to avoid.

Dealing with competitors: Many companies advertise cheap prices as a “bait” and then once they draw in the customers, “switch” them over to a more costly product, because the advertised good was not available, insufficient or not of any value to the customer. Many online surveys and work at home opportunities use this unethical marketing technique.

Pricing strategies: Predatory pricing or pricing beneath the competition so as to cannibalize the market and restrict the competition is an unethical pricing strategy. And setting up barriers that prevent smaller companies from entering the market is unethical as well.

## 5. Findings

To sum this all up, in order to be ethical in marketing attempts, businesses should make honest claims, and excel at satisfying the needs of their customers. This practice over time builds trust and customer confidence in your brand’s integrity and therefore leads to loyalty, customer and employee retention, great public relations and increase in business from customers spreading the word.

- Unethical marketing behaviors will achieve the exact opposite and in time could even lead companies into legal troubles and dissemination of a bad reputation and worse customer experience. Below are practices of unethical marketing, which you should avoid in order not to ruin your company.
  - Exploitation – avoid using scare tactics and hard sell and protect the vulnerable consumer.
  - Spam – avoid flooding a customer’s voicemail, mailbox, email or any other means of communication with unsolicited messages or aggressive advances.
  - Bad mouthing Competition – focus on the value and benefit of your product and point out its unique selling point, the consumers are smart enough to choose the better product.
  - Misleading Advertisement and Information –any exaggerated claims or dishonest promises will cause the customers to mistrust you and even determine the failure of your brand.
  - Philanthropic gestures for public relations – giving to charities solely for a tax write off will make the company appear callous and uncaring and people tend to shy away from these types of companies and spend money where they feel the leaders and marketers are especially humane and gracious.

## 6. Conclusion

- Companies need to evaluate whether they are truly practicing ethical and social responsibility marketing.
- Companies must adopt and disseminate a written code of ethics, Build a company code of ethical behavior, and hold its people fully responsible for observing ethical and legal behaviour.
- “Good marketing is Ethical Marketing” – Marketing is about satisfying and developing a long term relationship with the customers.
- Deceiving customers may help a firm to earn profits in short run, but it is not the way to build a successful business.
- The firm has to take care of its customers, stakeholders, employees, suppliers and distributors, society and the environment as well.

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